

TABLE GAMES REVENUE

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TABLE GAMES TERMINOLOGY

The following terminology is applicable to table games revenue:

24-hour shift	A casino may request and receive Board approval to operate on a 24-hour shift in the pit department.
Call bet	A vocal credit bet made by a patron. A credit instrument is completed at the conclusion of the playing of the hand or the call of the dice should the customer lose the bet. The purpose of a call bet is to allow the patron to begin play immediately. This includes "heeled" or "marked" bets which are advanced by the licensee for double downs, splits or certain craps bets.
Credit slip	A form used to record the amount of money or chips removed from a table game (i.e., table tray), or the transfer of IOU's, markers, or other credit instruments from a table game to the cashier's cage.
Cross fill	Transfer of cash and/or chips from one gaming table to another. If this procedure is used, the licensee must use adequate documentation.
Drop	The total amount of money, chips and tokens contained in the table drop boxes.
Drop box	A locked container permanently marked to indicate game, table number and shift. All markings must be clearly visible at a distance of 20 feet. The container must be locked to the table, separately keyed from the container itself. All monies exchanged for chips or credit instruments at the table and other such items or documents as management may direct pertaining to transactions at the table must be put into the container.
Fill slip	A form used to record the amount of money or chips furnished to a table game (i.e., table tray) from the cashier's cage.
Games summary (stiff sheet)	A form used to record, by shift and day, the individual table games winnings and/or losses. The form reflects the total count of opening and closing table top inventories, fills and credits, drop and win/loss per gaming table.
Lammer button (marker button)	A numbered, chip like implement placed on the gaming table indicating the amount of house chips that have been removed from a table tray during a table credit slip transaction, or an amount of chips that has been given to a customer for wagering on credit prior to completion of a credit instrument.

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Lottery	NRS 462.105. Lottery means any scheme for the disposal or distribution of property, by chance, among persons who have paid or promised to pay any valuable consideration for the chance of obtaining that property, or a portion of it, or for any share or interest in that property upon any agreement, understanding or expectation that it is to be distributed or disposed of by lot or chance, whether called a lottery, raffle or gift enterprise, or by whatever name it may be known. The term lottery does not include a promotional scheme conducted by a licensed gaming establishment in direct association with a licensed gaming activity, contest or tournament. All lotteries except for charitable lotteries are illegal in Nevada.	
Rim credit	Extension of credit that is not evidenced by an immediate preparation of a marker but does not include a call bet . All such extensions and subsequent repayments are recorded individually on a prenumbered document (e.g., player card).	
Soft count	The procedure for counting the total amount of currency and chips removed from the drop boxes; the amount counted is entered onto the games summary (stiff sheet).	
Soft count keys	Drop box release keys	Keys used to remove drop boxes from table and card games tables.
	Drop box storage rack keys	Keys used to open storage area where table drop boxes are kept after removal from tables and prior to the count of their contents.
	Drop box contents keys	Keys used to gain access to the contents of table games drop boxes.
	Count room keys	Keys used to gain entrance to the room designated for the counting of the contents of table games drop boxes.
	Duplicate keys	Duplicate keys to the above four sensitive areas. Duplicate keys should be maintained in such a manner as to provide the same degree of control as is exercised over the original keys.
Statistical drop	Drop as defined by Regulation 1.095 plus marker credit slips plus pit credit repaid with chips.	

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Statistical win	Table games gross revenue as defined by Regulation 6.110 plus marker credit slips.
Table top inventory (bankroll)	The total of coin and house chips in the table rack. If markers are part of the table inventories at the end of a shift, they should not be included in the bankroll figures used to calculate gross revenue. Table top inventory may be maintained at an imprest amount or the amount may fluctuate.
Vigorous (commissions)	A commission (usually 5-10% of the wager) charged and retained by the casino for certain bets, including betting on the banker's hand in baccarat and buy and lay bets in craps (similar to a rake in poker).

DEPARTMENTAL ORGANIZATION

A table games shift is generally staffed by the following people:

The **casino manager** (sometimes known as the property shift manager or as "#1") has ultimate authority over the entire casino during his shift.

The **table games shift manager** has authority over all table games and card games for one shift. Some casinos do not use this level of authority.

The **pit shift supervisor/pit floorperson** (pit boss) has authority over one pit or a certain designated number of tables. This level authorizes fills and credits.

The **dealer** is responsible for his table and for the accuracy of any paperwork that he drops in his drop box during the shift.

The **pit clerk** is a position that is frequently used in conjunction with computerized pit systems. Pit clerks generally obtain requests for table fills and credits from pit supervisory personnel, input the information into the computer system, return the original requests to the supervisor and forward copies of the requests to the cage at the end of each shift. They are often also responsible for inputting marker information into the computer system. This includes determining that the customer has available credit, that the printed markers are properly completed, and that signed markers are securely maintained in the pit until they are transferred to the cage. Pit clerks can also be responsible for inputting player rating information in the computer system.

GENERAL

It is important for the auditor to understand how table game revenues flow through a licensee's operations so that the audit can be properly planned and performed. The actual flow of revenue generally begins when a player approaches a table and buys into a game with cash. The cash buy-in is displayed in public view on the table and is then exchanged for chips from the table inventory tray. The cash is then dropped into the table's drop box by the dealer. Each table's

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drop box is required to be permanently marked with the game, shift, and a number corresponding to a permanent number on the table.

Sometimes, instead of purchasing chips, a patron will place a cash wager. **NRS 463.307** requires that gaming be conducted with chips/tokens or other instrumentalities approved by the Board or legal tender of the United States. Licensees may accept foreign currency at the tables as long as certain procedures specified in the Minimum Internal Control Standards (MICS) are followed. Winning cash wagers are paid with chips. Losing cash wagers are dropped in the drop box.

During a shift, the table tray inventory may need to be replenished (filled) with chips from the cage. It is also possible that the table tray may accumulate too many chips of one or more denominations. In this case, chips are sent (credited) from the table to the cage. These transfers are controlled by forms called fill slips or credit slips, respectively. Fill and credit slips are generally prepared by a cage cashier. The standard slips are 3-part, serially-numbered forms. One copy is retained by the cage to facilitate end-of-shift balancing. One copy is dropped in the drop box. The third copy is "restricted" (protected) in some way to prevent subsequent alteration.

At the end of each shift, as the drop team is bringing empty drop boxes to the pit for the upcoming shift, the out-going and in-coming pit shift supervisors begin to count the inventory of chips in the table trays. If these table inventory counts are to be dropped, they are documented on two-part table inventory forms. After these forms are completed and signed, someone other than a shift supervisor (e.g., a dealer or security personnel) drops one part of the forms (also known as the "closer") into the drop boxes of the ending shift. The drop team then begins removing the full drop boxes from the tables and replaces them with the empty ones. The second part of the table inventory forms (also known as the "opener") is then placed in the empty boxes, again by someone other than the pit supervisors. The drop is completed after the drop team transports and secures the full boxes in the soft count room. If the closing/opening count form is not dropped, the form is delivered to the cage or the soft count team to be recorded on the stiff shift prior to or in conjunction with the soft count.

The above information is meant to provide the auditor with a general overview of how table game revenues flow through a casino's operations. It is important that the auditor read the casino's internal control system, submitted to the Board, which describes in significant detail how revenue flows through a casino's operations.

SOFT COUNT

Each day the soft count team members enter the count room to count the funds in the drop boxes. They then either record on, or trace to, the count sheets the drop, fill/credit, marker issue stub and opening/closing table inventory amounts. Even licensees with computerized soft counts are required to record or trace these amounts. The reason for this is that only soft count personnel can attest to the fact that these monies and documents did indeed come out of the drop boxes. Hence, all soft count members are required to sign the count sheet as proof of their attestation.

The Minimum Internal Control Standards require that the count team be independent of the transactions being counted and reviewed and the subsequent accountability of the soft drop proceeds. As points of clarification, it is acceptable for a dealer to count drop proceeds from the

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same shift in which he dealt cards. A cage cashier may be used; however, this person may not perform the recording function or accept the count proceeds into cage accountability. If a cage manager is used, the count team must also report to someone independent of the cage as well as the pit department. Additionally, the standards allow an accounting representative to participate so long as an independent audit of the soft count documentation is performed.

Occasionally, employees of an independent security firm will act as the "observer". Employees of independent firms are not required to be included on the licensee's Regulation 6.130 count team submission. Furthermore, these individuals are not required to carry a gaming work card because, pursuant to the provisions of **NRS 463.0157**, they are not considered gaming employees.

After the count team has completed the count, cage or vault personnel count the drop proceeds and accept the funds into the cage's accountability. The count that cage or vault personnel performs must be independent of any counts that the count team performs. Cage or vault personnel may verify the drop by counting the currency in bundles; however, a sample of bundles should be broken down and counted.

The count team then delivers the count sheet and supporting paperwork (e.g., count sheets, fill/credit slips, table top inventory forms and any other documentation associated with the generation of table games revenue) to the accounting department. After the documents are audited, table games revenue is then posted to the accounting records (e.g., revenue journal or general ledger). At the end of the month the licensee uses these accounting records to prepare the tax report.

GROSS REVENUE CALCULATIONS

Regulation 6.110 defines table games gross revenue as "closing bankroll plus credit slips for cash, chips or tokens returned to the casino cage, plus drop, less opening bankroll and fills to the table." Revenue for all table games is computed by this method.

Per the above definition, table games gross revenue would be calculated as follows:

Closing Bankroll	+
Credit Slips (for cash, chips or tokens)	+
Drop (per Regulation 1.095(1))	+
Opening Bankroll	-
Fill Slips	-

Equals Gross Revenue (Loss)	<u>+ or -</u>

If the licensee makes final fills/credits to bring table bankrolls up/down to a standard (imprest) amount, then closing and opening table bankrolls would have no effect on reported win. It is also important to note that the above gross revenue calculation does **not** include credit instruments.

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In the computation of gross revenue pursuant to **NRS 463.3715** there are certain items which may or may not be deducted as losses. Any prizes, premiums, drawings, benefits or tickets that are redeemable for money or merchandise or other promotional allowance, except money or tokens paid at face value directly to a patron as the result of a specific wager, **must not be deducted** as losses from winnings at any game except a slot machine. The amount of cash paid to fund periodic payments **may be deducted** as losses from winnings for any game. A licensee **may deduct** its pro rata share of a payout from a game played in an inter-casino linked system; additionally, cash prizes and the value of noncash prizes awarded during a contest or tournament conducted in conjunction with an inter-casino linked system **are deductible** on a pro rata basis. See the "Inter-casino Linked Systems" section for a further discussion of deductions related to these systems.

Pursuant to **NRS 463.0161** the term "gross revenue" does not include:

- a. Counterfeit facsimiles of money, chips, tokens, wagering instruments or wagering credits;
- b. Any portion of the face value of any chip, token or other representative of value won by a licensee from a patron for which the licensee can demonstrate that it or its affiliate has not received cash;
- c. Cash taken in fraudulent acts perpetrated against a licensee for which the licensee is not reimbursed;
- d. Cash received as entry fees for contests or tournaments in which patrons compete for prizes, except for a contest or tournament conducted in conjunction with an inter-casino linked system;
- e. Uncollected baccarat commissions; or
- f. Cash provided by the licensee to a patron and subsequently won by the licensee, for which the licensee can demonstrate that it or its affiliate has not been reimbursed.

INTER-CASINO LINKED SYSTEMS

Inter-casino linked table games systems are simply table games at multiple locations which are linked to a common non-progressive or progressive jackpot or multiple-location player tracking/bonusing systems (excluding player tracking run by a licensee solely for its affiliates). Some inter-casino linked systems are owned and operated entirely by affiliated casinos. Others are operated by a third party for numerous affiliated or unaffiliated casinos. The overall revenue accounting for inter-casino linked systems is really no different than it is for any other table game. Drop is still the total amount of money, chips and tokens contained in the table drop boxes; fills are all the fills made to the table trays; and payouts are all the cash awards made to a patron on a winning wager.

NRS 463.3715(5) became effective June 22, 1995. This statute specifically allows licensees to deduct their pro rata share of a payout from a game played in an inter-casino linked system except for a payout made in conjunction with a card game. This means that all payouts (including the non-progressive ones that licensees are reimbursed for) associated with the system are deductible. The amount of the deduction must be based upon the written agreement among licensed gaming establishments participating in the inter-casino linked system and the operator of the system. Additionally, all cash prizes and the value of noncash prizes awarded during a contest or tournament conducted in conjunction with an inter-casino linked system are also

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deductible on a pro rata basis to the extent of the compensation received for the right to participate in that contest or tournament. A participating licensee must have had an active gaming license at any time during the month in which a payout was awarded to be entitled to a deduction. If large progressive payouts are paid out over time, pursuant to **Regulation 5.115**, only the amount of cash used to fund the payout may be deducted from revenue.

FREE PLAY AND PROMOTIONAL ITEMS

The authoritative bases for the tax treatment of free play and promotional items can be found in **NRS 463.0161**, **NRS 463.3715** and **Regulation 6.110**. The following chart summarizes the accounting treatment of some typical promotional items:

<u>Item</u>	<u>Proper Accounting Treatment</u>
Match Play (e.g., wager \$5 and receive a \$10 bet)	Only cash received in drop, deduct all payouts
Discount Wagering (Negotiable)	If distinguishable, discounted \$ amount in drop, deduct all payouts ➡
Discount Wagering (Nonnegotiable)	Discounted \$ amount in drop, deduct all payouts ➡
Free Play Wagering (Negotiable)	If distinguishable, \$0 in drop, deduct all payouts ➡
Free Play Wagering (Nonnegotiable)	\$0 in drop, deduct all payouts ➡
Promotional Activity Reimbursed by a Third Party	Total \$ amount wagered in drop, deduct all payouts
Tournaments/Contests/Drawings	No effect on revenue if not part of an inter-casino linked system
Tournaments which include elements of a normal wager	Total \$ amount WAGERED in drop, deduct payouts but not tournament prizes**

➡ Use of this tax treatment is allowable only if specific record keeping requirements are adhered to.

** Pursuant to **NRS 463.408**, tables placed on the floor specifically for this type of tournament are subject to a \$14 per table, per day Special Events permit fee, whereas existing tables that are used for this type of tournament are subject to all quarterly and annual flat fees.

STATISTICAL ANALYSIS

A statistical analysis of table games performance is done to detect any possible problem areas. A win/drop percentage for table games is the relationship of a patron's chip buy-in (made with cash or marker) and cash wagers dropped in the drop box to what the casino wins back from the patron through table play. If markers are immediately transferred to the cage after issuance, with no payments allowed in the pit, the drop figure will contain the dollar amount of cash wagers dropped in the drop box plus cash and markers received by the casino in exchange for chips.

In Nevada, however, customers can pay off markers in full or in part in the pit, and payments can be made with cash or chips. As a result, cash drop may be overstated due to cash payments for markers, and the marker issues may be overstated because additional markers may have been

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issued in exchange for other markers during a consolidation or during marker partial payments. The concepts of **statistical win** and **statistical drop** were developed to eliminate these overstatements.

Statistical win is simply table gross revenue as defined by **Regulation 6.110** (which is basically **cash** win) plus marker credit slips. Marker credit slips are added to win because, in effect, they represent a portion of the table game's ending inventory (a component of the win computation) which is not otherwise reflected in revenue computed in accordance with **Regulation 6.110**.

Statistical drop is equal to cash drop, as defined by **Regulation 1.095**, plus marker credits plus pit marker payments in chips. Statistical drop should only reflect pit credit issued for the purchase of chips, which can be calculated as follows:

$$\begin{array}{ccccccc} \text{Marker} & & + & & \text{Pit marker} & & + & & \text{Pit marker} & & = & & \text{Pit credit} \\ \text{credit slips} & & & & \text{payments in chips} & & & & \text{payments in cash} & & & & \text{issued for chips} \end{array}$$

Cash drop, as defined by **Regulation 1.095**, already contains pit marker payments in cash. Therefore, for statistical drop to reflect all pit credit issued for chips, it is necessary to increase cash drop by marker credit slips and pit marker payments in chips.

Licensees report statistical information to the Board on the "Monthly Gross Revenue Statistical Report" (NGC-31). This form requires (by type of table game) pit credit issues, pit credit payments in chips, pit credit payments in cash, and drop as defined by **Regulation 1.095**.

IN-HOUSE PROGRESSIVE PAYOFF SCHEDULES

Regulation 5.110 addresses in-house progressive payoff schedules. The regulation states that progressive payoff schedules may have limits. Also, the payout indicators (progressive meters) cannot be turned back except for a payout to a customer, the meter going over the progressive limit, or a documented malfunction. The progressive amounts may be transferred to a similar game but this must also be documented. Progressive payoff schedules may be given away through a concluding contest, tournament or promotion if conducted with a game similar to the game from which the amounts are distributed. For the purposes of auditing gaming establishments, no work typically needs to be done with regard to inter-casino linked progressive payoff schedules - this responsibility lies with the operator of the system.